



County of Los Angeles  
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July 25, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

**JUNE 23, 2003 MOTION - FUNDING ISSUES CONCERNING THE CHILD SUPPORT SERVICES DEPARTMENT**

On June 23, 2003, in response to a motion by Supervisor Antonovich, your Board ordered the Auditor-Controller (A-C) and this office to work in concert with the Child Support Services Department (CSSD) to review a number of issues related to potential funding, cost efficiencies and effectiveness of the CSSD operation. This instruction is intended to find solutions to minimize the number of staff layoffs identified in the CSSD Budget for Fiscal Year (FY) 2003-04.

The following details the motion's four instructions and corresponding responses:

**Identify all avenues available to the Child Support Services Department to gain more funding from the State and federal governments.**

The current State allocation, based on historical spending patterns, does not provide "equity" among counties based on either caseload or population demographics. Our County advocates in Sacramento were notified in May that your Board and this office supported "a full restoration of funding for county Child Support Departments and a revision to the allocation methodology that currently underfunds Los Angeles County by failing to reflect actual caseload." Numerous letters have been sent to the Los Angeles legislative delegation notifying them of the importance of the Child Support program and the impact of cuts to customers and employees. A meeting was held with Assembly member Judy Chu, at the request of SEIU Local 660, to explain the reductions and describe the federal funding process. Philip Browning, Director, CSSD, has testified before two State legislative committees describing the impact of the reductions on Los Angeles County. Requests have been made on numerous occasions to the State Child Support Services Department for additional funding.

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The language in the State budget bill is expected to require a committee composed of State and county child support staff and advocates to review the methodology used to make allocations to county child support programs and to further recommend changes and the impact of such changes. The possibility exists that the committee might recommend an allocation methodology which would recognize the relationship between funding and performance but at this point, no committee members have been identified and there is no assurance that Los Angeles County will be represented.

As the Child Support Services program is a State/federal partnership, there is no opportunity for direct funding from the federal government to Los Angeles County for funding which should come from the State.

It appears that all avenues for additional funding from the State and federal government have been pursued although CSSD will continue to explore future opportunities.

**Conduct an audit of the Child Support Services Department's existing service contracts for cost efficiency and effectiveness.**

The A-C completed their review of CSSD's contracting process to determine if it is adequate, and also, if there may be opportunities for the Department to reduce its current funding problems through improved contract management. The A-C's findings (Attachment I) conclude that the Department's processes are generally adequate. The A-C report does note a few areas that the Department can improve upon, however the A-C did not identify changes that would result in significant savings.

**Review the current curtailments contemplated by CSSD, including the proportion of the cuts to services and supplies to cuts in staffing.**

In order to accommodate County cost increases and the State curtailment totaling \$15,201,000, the following curtailments/restorations were made:

<u>Action</u>	<u>Date</u>	<u>S&amp;S Cut</u>	<u>S&amp;EB Cut</u>	<u>% S&amp;EB</u>
Proposed Budget	01/03	\$3,739,000	\$594,658 (Vacant)	13.7%
Final Changes	06/03	\$3,020,000	\$9,400,000 (Filled)	82.2%
Mitigation B/L	07/03	\$2,744,000	-\$6,827,000 (Restoration)	0.0%
<b>Grand Total</b>		<b>\$9,503,000</b>	<b>\$3,167,658</b>	<b>25.0%</b>

**Find creative solutions to minimize the number of staff layoffs.**

The Department has utilized a number of creative approaches to mitigate the impact of the State curtailment and County cost increases. The following identifies projected savings, some of which are included in the Item #21 of the July 29, 2003, agenda for Board appropriation:

- ✓ Extensive reductions in non-Electronic Data Processing related services and supplies accounts, including:

District Attorney Investigative Services	\$1,875,000
Office supplies	\$ 921,000
Mailing services	\$ 600,000
Postage	\$1,200,000
Stationary and forms	\$ 100,000

- ✓ Elimination or reduction of contracts, including:

Supplemental locate (eliminate)	\$ 836,000
Temporary clerical contract (de-fund)	\$1,327,000
Service of process (reduce)	\$ 667,000

- ✓ Creative utilization of State Health Insurance Incentive funds and matching federal financial participation to fund salaries and benefits -- \$4,083,000

The efforts on behalf of CSSD have significantly reduced the number of budgeted positions deleted from its budget from 207 to 32. A large portion of the estimated savings relies on one-time only funding sources. Should the State be unsuccessful in obtaining administrative and budgetary approval for the federal matching funds, the Department will need to proceed with layoffs in January of approximately twice the number of individuals now being retained through that funding source. In addition, CSSD, in conjunction with this office, is working on a proposed Enhanced Voluntary Time-Off (EVTO) program which could mitigate the need to layoff the remaining 32 positions. CSSD will continue to work to identify efficiencies to further mitigate the potential impact the Department is facing in FY 2004-05.

If you have any questions, please contact me, or your staff may contact Kathy House, of my staff, at (213) 974-1323

DEJ:DL  
KH:kd

Attachment

c: Executive Officer, Board of Supervisors  
Director Child Support Services  
Auditor-Controller

## **CHILD SUPPORT SERVICES DEPARTMENT CONTRACT REVIEW**

At the Board's request, we have reviewed the Child Support Services Department's (CSSD) contracts to determine whether CSSD's contracting process is adequate and whether there are any opportunities for CSSD to reduce its current funding problems through improved contract management.

### **Review Summary**

It appears that CSSD's contracting procedures are generally adequate. We did not identify any changes in CSSD's current contract process that would result in significant savings. We did note a few areas where the Department could improve contract monitoring and contract solicitation procedures. Details of our review are discussed below.

### **Background**

CSSD currently contracts out for Fiscal Agent (court trustee), Genetic Testing, Service of Process and Temporary Clerical Staff services. The following is a summary of each contract service.

- The Fiscal Agent contract is for collecting and depositing child support payments. This function has been contracted out since 1991. The current contract with Lockheed Martin was approved in November 2000. The annual contract cost is \$8.5 million, with the federal government paying 66% and the State paying 34%. The contract will expire in November 2003. The contract was awarded through a competitive bid process and CSSD has begun the re-solicitation process. As noted later, this function is expected to be taken over by the State by 2005.
- The Genetic Testing contract provides federally-required paternity testing. The service has been contracted out since November 1991. The current contract with Laboratory Corporation was approved in 2001. The federal and State governments pay 100% of the \$550,000 annual contract cost. The current contract, which was awarded through a competitive bid process, expires in January 2004 and CSSD has begun the re-solicitation process.
- The Service of Process contract is used to serve Summonses and Complaints to non-custodial parents. This service has been contracted out since 1989. The current contract with Specialized Litigation Services was approved in August 2000, with the State and federal governments paying 100% of the cost of the contract, up to \$1,950,000 a year. The current contract, which was awarded through a competitive bid process, expires in August 2003. CSSD completed the evaluation process to select a new contractor in June 2003 and will establish a new contract for this service.

- In January 2003, CSSD, along with the District Attorney and the Public Defender, established contracts with four contractors: AppleOne, JM Staffing, Act 1 and Corestaff for as-needed Temporary Clerical services. The estimated contract amounts for CSSD was \$1,127,000. The cost of the contract is paid by the federal and State governments. The contracts, which were awarded through a competitive bid process, are for one year with two one-year renewal options. This service has been contracted out since November 1996.

### **Contracting Process**

We reviewed CSSD's solicitation and evaluation documentation, monitoring procedures, and payment controls for each contract service. We also tested a limited sample of transactions to ensure payments to the contractors are properly approved. Details of our review are discussed below.

### **Solicitation and Evaluation Process**

As previously indicated, all of CSSD's current contracts were established through a competitive bidding process and used an evaluation committee. Specifically:

- The Request for Proposals (RFP) for the Fiscal Agent was sent to four bidders and one proposal was received and accepted.
- The Genetic Testing RFP was sent to five bidders, four proposals were received and one contract was awarded.
- The Service of Process RFP was sent to 14 bidders, two proposals were received and one contract was awarded.
- The Temporary Services RFP was sent to 52 bidders, 13 proposals were received and four contractors were selected.

Five of seven contracts were awarded to the lowest bidders. The other two contractors were selected because the evaluation committees ranked them as the best overall proposals. Our review indicates that the amounts that could have been saved by contracting with the lowest-priced bidders (\$163,000 for the Service of Process contract and \$44,000 for the Temporary Services contracts) are not material either to the cost of the contracts or to CSSD's total budget.

Based on our review of the evaluation documentation, CSSD's justification for selecting the two higher-priced contractors appears adequate. In regards to the Service of Process contract, CSSD did indicate in their Board letter that the lowest-priced vendor was not selected. In regards to the Temporary Services contracts, the fact that one of the contractors was not a low bidder was not disclosed in the joint Board letter from CSSD, the District Attorney and Public Defender. The departments need to ensure that

they comply with the requirement to disclose to the Board when the lowest bidder is not selected.

We also noted that the Fiscal Agent, Genetic Testing and Service of Process RFPs indicated that proposers must give oral presentations to the evaluation committee. However, our review indicates that the proposers did not give oral presentations. While not requiring oral presentations did not appear to affect the evaluation process, we recommend that CSSD modify future RFPs to indicate that oral presentations may be requested at the Department's option, rather than being required. This will reduce the risk of proposers challenging awards by claiming they were not given the opportunity to present their proposals orally .

For the Fiscal Agent contract, we noted that the evaluation instruments indicated the weight to be given to each major evaluation category (e.g., statement of work, price, etc.). However, the instrument did not indicate how many points should be assigned to each specific evaluation question (e.g., how many points should be awarded for the experience of the contractors' staff, etc.). As a result, evaluators could have assigned different relative weights to the individual rating questions. We recommend that CSSD assign weights/points to all rating questions in future proposal evaluations.

Overall, we believe CSSD's contract solicitation and proposal evaluation procedures are adequate and our review disclosed nothing to indicate that any of the existing contracts should be canceled or re-bid.

### **Contract Monitoring**

Prior to 2002, CSSD's contract monitoring was limited to bi-monthly meetings to discuss contractor services. However, beginning in 2002, CSSD assigned monitors for each contract for the Fiscal Agent, Genetic Testing and Service of Process contracts. Currently, CSSD has specific monitoring procedures in place for these three contracts. These procedures include verifying compliance with key contract requirements, evaluating staff/management satisfaction with the contract services and reviewing the accuracy of vendor invoices.

The most recent monitoring reports for the Fiscal Agent and Genetic Testing contracts indicate the vendors are in compliance with contract requirements. The May 2003 monitoring report for Service of Process indicates minor findings such as contractor delivering service tickets to the wrong divisions. We noted the monitors made appropriate recommendations to correct the problems. Based on our review of the monitoring reports from the on-site visits, we believe the Department's monitoring procedures are generally adequate.

CSSD can improve its monitoring procedures for the Temporary Clerical Services contracts. We noted that CSSD does compare the hours billed to the employees' timecards before payment is approved. However, the Department does not conduct

program monitoring of the contractors' performance. We believe the Department should develop formal program monitoring procedures for these contracts including:

- Interviewing temporary employees to determine what types of services they are performing and ensuring they are consistent with contract requirements.
- Interviewing CSSD staff to ensure they are satisfied with the level and quality of service being provided by the temporary employees.
- Reviewing progress/performance reports the contractor is required to provide.

While management is generally satisfied with the temporary services vendors, program monitoring will help ensure vendors are complying with contract requirements.

### **Payment Process**

We reviewed the Department's contractor payment procedures and noted that for all contracts, appropriate staff review and approve billings before payments are authorized.

As noted earlier, CSSD has contracted out for temporary clerical services since 1996 and the current four contracts were awarded in January 2003. We did note that the Department spent approximately \$1 million more than projected for the prior temporary services contracts which expired in January 2003. CSSD's estimated expenditures for the contracts was \$1.1 million. However, the Department spent approximately \$2.1 million over the contract period.

While the Board letter did indicate that the \$1.1 million was an estimate and not a fixed amount, we believe CSSD should notify the Board in the future when estimated contract expenditures will be exceeded by a significant amount.

### **Contract Savings**

CSSD has taken action to reduce its contract expenditures. It should be noted that, because CSSD is funded by the State and federal governments, these actions do not result in savings to the County. Specifically, the department has:

- Effective June 30, 2003, terminated the teen pregnancy prevention contract, Keep Your Freedom Keep Your Dreams, with the LAC Department of Education. As a result, all student workers (teen parents) who made presentations at middle and secondary schools to share their personal experiences about the consequences of becoming a teen parent were released. The cost for this contract was \$197,215.
- Effective March 2003, terminated the Partners for Fragile Families contracts with the following contractors: City of Long Beach, Truevine Community Outreach, Inc., Welfare to Work Partners and Bienvenidos Children's Services, Inc. These contracts were to assist low-skilled fathers to secure employment and provide

financial and emotional resources to their child(ren). The total cost for these contracts was \$1,123,769.

- In February 2003, suspended the solicitation process for the Supplemental Locate Services RFP which would have added another contract to provide additional resources to locate information such as addresses, names of employers and assets of non-custodial parents.
- Effective June 30, 2003, stopped using staff from the Temporary Clerical Services contracts. CSSD indicated that, as a result, they are experiencing backlogs in their operations.

In addition, we were informed that the State Department of Child Support Services plans to implement a Statewide Disbursement Unit which will replace the County's Fiscal Agent contract and similar contracts in other counties. The Statewide Disbursement Unit is expected to be in place no later than 2004, with full implementation no later than 2005.